

Message Text

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ACTION OPIC-12

INFO OCT-01 AF-10 ISO-00 AID-20 EB-11 L-03 IGA-02 COME-00

/059 W

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R 111600Z DEC 73

FM AMEMBASSY KINSHASA

TO SECSTATE WASHDC 5854

UNCLAS KINSHASA 10691

E.O. 11652: N/A

TAGS: BFOL, CG

SUBJECT: OPIC INSURANCE FOR ESB ZAIGD

REF: A. MINISTERE DE L'ECONOMIE NATIONALE LETTER DATED 3/7/72

B. OPIC MEMO DATED 6/5/73

C. KINSHASA OM DATED 7/27/73

D. STATE 219417

PARAGRAPHS CORRESPOND TO REFERENCE (D).

1. DISCUSSED REFERENCE (A) WITH RAYMOND FROEHNER, DIRECTEUR GENERAL, EDL ZAIRE. HE STATES LETTER CONFIRMS UNDERSTANDING REACHED DURING DISCUSSIONS HELD 3/4/72 BY GROUP INCLUDING NDTMGALA TADI LEWA, WHO SIGNED LETTER, JOHN DAVENPORT, VICE PRESIDENT ESB PHILADELPHIABB HASSON FRERES, LOCAL 25 PERCENT PARTNERS, AND FROEHNER. FROEHNER INTERPRETS LETTER IN LIGHT OF THESE DISCUSSIONS AS FOLLOWS: " MINIMUM SPECIFIQUE" REFERS TO A SURCHARGE ON EACH IMPORTED UNIT.

THIS IS A DEFINITE MINIMUM DUTY PER BATTERY AS OPPOSED TO PRESENT PERCENTAGE TARIFF. AGREEMENT HAS NOT YET BEEN REACHED ON AMOUNT OF MINIMUM DUTY.

2. BUREAU DES INVESTISSEMENTS INFORMS US THAT IMPORT QUOTAS HAVE BEEN MORE COMMONLY USED, BUT FROEHNER POINTS OUT MINIMUM DUTY IF HIGH ENOUGH HAS ADVANTAGE OF
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EXCLUDING ALL IMPORTS. CONTROL BY IMPORT LICENSES

EXPECTED TO TERMINATE AS SOON AS GOZ SATISFIED WITH QUANTITY AND QUALITY OF PRODUCTION. AT THIS POINT PRESUMABLY MID 1974, MINIMUM DUTY BEGINS TO OPERATE. FROEHNER REALIZES ESB POSITION NEEDS CLARIFICATION ADK WILL ATTEMPT TO OBTAIN THIS FROM NDONGALA. POST WILL ASSIST IF NECESSARY. FROEHNER BELIEVES SATISFACTORY MINIMUM DUTY CAN BE NEGOTIATED BUT IS CONCERNED THAT PROMINENT ZAIROISE IMPORTERS MIGHT OBTAIN EXEMPTIONS.

3. COMMENTS: EXCEPT FOR IMPORT PROTECTION PROBLEM, IFESTMENT APPEARS TO BE IDEAL AND CONSISTENT WITH OPIC OBJECTIVES IN REFERENCE (B). ESB PROJECTION SHOWS PROFIT DURING FIRST YEAR. BATTERIES ARE MAINLY FOR FLASHLIGHTS AND RADIO RECEIVERS PROVIDING CONSTANT REPLACEMENT DEMAND. PRESENT ANNUAL CONSUMPTION OF 29 MILLION UNITS EXPECTED TO INCREASE TO 40 MILLION BY 1978. U.S. WILL GAIN EXPORTS SINCE ESB PLANS TO ROUND OUT LINE WITH IMPORTS FROM PARENT COMPANY OF OOD-SIZE BATTERIES AMOUNTING TO ABOUT 5 PERCENT OF SALES. U.S. BATTERY IMPORTS PRESENTLY MINIMAL. ZAIRE EXPECTED TO BENEFIT AS FOLLOWS:

4. WHEN PLANT COMPLETED, TOTAL EQUITY AND LOAN INFLOW FROM PARENT COMPANY WILL BE NEARLY \$1,000,000. PROJECT WILL MOBILIZE LOCAL EQUITY AND RELATED LOANS IN EXCESS OF \$300,000. LOCAL BANK HAS RECEIVED PARENT COMPANY GUARANTEE FOR \$1,200,000 MEDIUM-TERM SUPPLIER'S LOAN.

B. COUNTRY WILL SAVE MORE THAN \$2,000,000 PER YEAR IN FOREIGN EXCHANGE NOW SPENT FOR BATTERY IMPORTS. THIS WILL BE PARTIALLY OFFSET BY COST OF IMPORTED RAW MATERIALS. EVENTUALLY LOCAL ZINC WILL BE USED.

C. PROJECT HAS PROVIDED JOBS FOR PLANT CONSTRUCTION, AND WILL PERMANENTLY EMPLOY ABOUT 200 NATIONALS.

ASSUMING THAT IMPORT PROTECTION PROBLEM CAN BE SATISFACTORILY RESOLVED, POST RECOMMENDS THAT OPIC INSURANCE BE ISSUED IN AMOUNTS REQUESTED TO COVER PARENT COMPANY INVESTMENT
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AND GUARANTEE OF LOCAL BANK LOAN.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 11 DEC 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973KINSHA10691
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: n/a
From: KINSHASA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19731232/aaaaaxol.tel
Line Count: 109
Locator: TEXT ON-LINE
Office: ACTION OPIC
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators:
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: A. MINISTERE DE L'ECONOMIE NATIONALE
Review Action: RELEASED, APPROVED
Review Authority: kelleyw0
Review Comment: n/a
Review Content Flags:
Review Date: 29 OCT 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <29-Oct-2001 by williad>; APPROVED <19 FEB 2002 by kelleyw0>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: OPIC INSURANCE FOR ESB ZAIGD
TAGS: BFOL, CG
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005